

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7764

Petition of Washington Electric Cooperative, Inc. to     )  
Approve a Promissory Note to the Rural Utilities     )  
Service in the Amount of \$7.4 Million to Finance its     )  
Construction Work Plan     )

Order entered: 9/9/2011

**I. INTRODUCTION**

On July 6, 2011, Washington Electric Cooperative, Inc. ("WEC" or "Company") filed a petition (the "Petition") with the Vermont Public Service Board ("Board") for approval pursuant to 30 V.S.A. § 108(a) to finance its 2011-2015 Construction Work Plan (the "Plan"). The total cost of the Plan is estimated to be approximately \$8.341 million. WEC is seeking to borrow approximately \$7.4 million to finance the project. The requested financing would be provided by the Rural Utilities Service ("RUS") through the RUS Guaranteed Federal Financing Bank ("FFB") with a proposed term of approximately thirty-five (35) years. The Petition was supported by a copy of WEC's 2011-2015 Construction Work Plan and by accompanying exhibits.

On September 8, 2011, the Vermont Department of Public Service ("DPS") filed a letter with attached Determination Under 30 V.S.A. §202(f) to the Board recommending that the Board approve the Petition without hearing and finding that the requested financing as set forth in the Petition is consistent with the *Vermont Electric Plan* pursuant to 30 V.S.A. § 202(f).

On September 1, 2011, the DPS submitted a letter to the Board stating that it believes that the intent of the Petition is consistent with the general good of the state, and recommending approval of the Petition without a hearing.

I have reviewed the Petition, and the supporting documents. I conclude that approval of WEC's Petition pursuant to 30 V.S.A. § 108(a) is appropriate and that such approval may occur

without hearing. Based upon the evidence of record and the exhibits presented in this docket, and the DPS letters of September 1 and 8, 2011, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

## **II. FINDINGS**

1. WEC is a company as defined by 30 V.S.A. § 201 and as such is subject to the Board's jurisdiction pursuant to 30 V.S.A. § 108 and § 203. Petition at 1.

2. In order to obtain financing through FFB, the Company must periodically develop and adopt a Construction Work Plan in accordance with RUS guidelines. WEC's Board adopted its 2011-2015 Construction Work Plan on June 2, 2011. *Id*; exh. 1 at 1; exh. 2.

3. The total cost of the Plan is approximately \$8.341 million. WEC is requesting financing in the amount of \$7.4 million, with the funding difference of approximately \$900,000 to be provided by funds obtained through the American Recovery and Reinvestment Act ("ARRA"). The \$7.4 million financing will be provided through a promissory note with FFB for a term of thirty-five (35) years. WEC expects to obtain a favorable interest rate from FFB that is below market rates. WEC will secure the financing with a Mortgage & Security Agreement between itself, RUS and the National Rural Utilities Cooperative Finance Corp. Petition at 2; exh. 1 at 4.

4. The Plan was developed based on recommendations contained in WEC's 2012-2021 Long-Range Plan completed in March 2011, and WEC's 2010 Load Forecast Technical Report. Projects to be completed under the Plan include, but are not limited to, pole and conductor replacement, substation improvements, transformer replacement, and the build-out of WEC's Automated Metering Infrastructure (to be funded in part by ARRA funding - *see* Finding No. 3, above). Petition at 1-2; exh. 1 at 4; exh. 3.

5. WEC's implementation and completion of the Plan is necessary in order for it to fulfill its duty to serve under 30 V.S.A. §§ 2801 and 2802. The requested financing will provide the Company with the funding necessary to complete the Plan. Petition at 2.

**III. DISCUSSION & CONCLUSION**

Based upon the foregoing and the evidence in the record, I find that WEC's Petition as described above will be consistent with the general good of the State. I therefore recommend that the Board approve the Petition and authorize the request for financing without hearing.

The parties have waived their rights to file exceptions and present arguments under 3 V.S.A. § 811. Therefore, the proposal for decision has not been served on the parties.

Dated at Montpelier, Vermont this 7<sup>th</sup> day of September, 2011.

s/Jay E. Dudley  
Jay E. Dudley  
Hearing Officer

#### **IV. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board ("Board") of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are accepted and adopted.
2. The request for financing as set forth in Washington Electric Cooperative, Inc's. ("WEC") Petition in this docket, and as described in the Findings, is consistent with the general good of the State of Vermont.
3. Pursuant to 30 V.S.A. § 108(a), consent is hereby given to WEC to obtain financing for the completion of its 2011-2015 Construction Work Plan, in an amount not to exceed \$7.4 million in long-term debt financing through RUS Guaranteed Federal Financing Bank, according to the terms outlined in the Petition.
4. This Order does not constitute approval of WEC's capital structure or of any particular capital or operating expenditure that may be implemented with the proceeds from the long-term financing contemplated in the Petition in this docket. Nothing in this approval shall preclude the Vermont Department of Public Service ("DPS") or any other party, or the Board, from reviewing or challenging such expenditures or WEC's resulting capital structure.
5. WEC shall inform the Board and the DPS of any material change in the terms and conditions of the financing, if any, prior to closing, including if the final interest rate charged by the Rural Utilities Service Guaranteed Federal Financing Bank ("FFB") exceeds FFB's current loan pricing formula of one-eighth of one percent above prevailing U.S. Treasury Bond rates.
6. WEC shall provide the Board and the DPS with a complete set of final loan closing documents within 10 days of the loan closing.

Dated at Montpelier, Vermont, this 9<sup>th</sup> day of September, 2011.

<u>s/James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/David C. Coen</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: September 9, 2011

ATTEST: s/Susan M. Hudson  
Clerk of the Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*